



# **Form ADV Part 2A Appendix 1**

## **Investment Adviser Brochure Supplement**

**March 20, 2024**

This brochure provides information about the qualifications and business practices of HighPoint Advisor Group, LLC (HPAG). If you have any questions about the contents of this brochure, please contact Michelle Juras, Chief Compliance Officer. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Registration as an investment advisor does not imply any level of skill or training.

Additional information about HighPoint Advisor Group is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You may search this site using a unique identifying number, known as a CRD number. HighPoint Advisor Group, LLC's CRD Number is 316636.

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## Item 2: Material Changes

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### **Annual Amendment**

HighPoint Advisor Group, LLC (“HPAG” or the “Firm”) has not made material changes to Form ADV since the last Amendment, dated January 2024.

### **Material Changes**

Since the last annual amendment annual amendment, the following changes have been made.

- Michelle Juras is now the Chief Compliance Officer.

### **Full Brochure Available**

HPAG’s Form ADV may be requested at any time, without charge by contacting HPAG at 630-719-9222.

## **Item 3: Table of Contents**

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<b>Item 1: Cover Page</b>	<b>1</b>
<b>Item 2: Summary of Material Changes</b>	<b>2</b>
<b>Item 3: Table of Contents</b>	<b>3</b>
<b>Item 4: Services, Fees, and Compensation</b>	<b>4</b>
<b>Item 5: Account Requirements and Types of Clients</b>	<b>6</b>
<b>Item 6: Portfolio Manager Selection and Evaluation</b>	<b>7</b>
<b>Item 7: Client Information Provided to Portfolio Managers</b>	<b>10</b>
<b>Item 8: Client Contact with Portfolio Managers</b>	<b>11</b>
<b>Item 9: Additional Information</b>	<b>11</b>

## Item 4: Services, Fees, and Compensation

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HPAG is the sponsor and manager of a wrap fee program, the HPAG Wrap Program (“Program”). The Program operates under LPL Financial’s (“LPL”) Strategic Wealth Management platform (“SWMII”).

### Description of Services

The Program is an investment advisory program sponsored and managed by HPAG. The Program provides clients with the ability to trade in certain investment products without incurring separate brokerage commissions or transaction charges.

In addition to completing a Discretionary Asset Management Agreement with HPAG, to join the program a person must:

1. Complete an investor profile that describes the client’s financial needs, investment objectives, time horizon, and risk tolerance, as well as any other factors relevant to the client’s specific financial situation (the Investor Profile) and any other supporting documentation required for the Program;
2. Complete a new account agreement with LPL for participation in the Program (Broker-Dealer); and
3. Open a securities brokerage account with LPL and deposit those client assets designated for participation in the Program (Program Assets) into the Account.

After an analysis of any information provided by the client to HPAG, the Firm shall assist the client in developing an appropriate investment strategy for the Program Assets in their Account. Thereafter, all clients are encouraged to discuss their needs, goals, and objectives with HPAG and to keep HPAG informed of any changes thereto. HPAG shall contact clients at least annually to review its previous services and/or recommendations and to determine whether changes should be made to the clients’ Investment Strategy.

### Management of Your Portfolio

All clients in the Program shall grant HPAG discretionary authority to buy, sell, and otherwise trade for their Account and to liquidate previously purchased securities that the client has transferred to their Account. Program Assets in the client’s Account shall be managed by one of HPAG’s IARs.

For client assets in the Program, HPAG shall provide its investment management services and arrange for brokerage transactions under a single annual advisory fee for both advisory services and execution of transactions. Clients in the Program do not pay brokerage commissions, markups, or transaction charges for execution of transactions in addition to the advisory fee. The advisory fee is negotiable between the client and HPAG and is set out in the advisory agreement. The advisory fee is a percentage based on the value of all assets in the account, including cash holdings. The advisory fee will vary among advisors in the Firm as each IAR has their own fee schedule for similar services. The advisory fee is paid to HPAG and is shared between HPAG and its investment advisor representatives (IARs).

Clients should be aware that if a Client elects to participate in the Program based on a recommendation from HPAG, HPAG receives compensation as a result. This compensation includes the advisory fee and other compensation, such as bonuses, awards, or other things of value offered by LPL to HPAG or its associated persons. The amount of this compensation may be more or less than what HPAG would receive if the client participated in other LPL programs, programs of other investment advisors, or paid separately for investment advice, brokerage, and other client services. Therefore, HPAG has a financial incentive to recommend a Program account over other programs and services.

The investment products available to be purchased in the Program can be purchased by clients outside of a Program account, through broker-dealers or other investment firms not affiliated with HPAG.

### Fees for Participation in the Program

Clients in the Program pay a single annualized fee for participation in the Program (the Program Fee). HPAG shall charge an annual fee based upon a percentage of the market value of the assets being managed by HPAG. The Firm’s annual fee shall

be prorated and charged quarterly, in advance, based upon the market value of the assets being managed by HPAG on the last day of the previous quarter. The annual fee shall vary (between 0% and 2.20%) depending upon the market value of the assets under management.

HPAG, in its sole discretion, may negotiate to charge a lesser management fee based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, pro bono activities, etc.).

Under the Program, clients receive both investment advisory services and the execution of transactions in securities for a single, combined annualized fee, the Program Fee. The cost of participation in the Program will vary from the cost of purchasing such services separately. The number of transactions made in the client's Account, as well as the commissions charged for each transaction, will determine the relative cost of the Program versus paying for execution on a per transaction basis and paying a separate fee for advisory services. The Program Fee may be higher or lower than fees charged by other sponsors of comparable investment advisory programs.

In certain circumstances, Clients will incur charges imposed by third parties in addition to the Program Fee, such as fees charged by Independent Managers, custodial fees, charges imposed directly by a mutual fund or exchange traded fund in the account (which shall be disclosed in the fund's prospectus), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees on brokerage accounts and securities transactions.

When purchasing mutual fund shares for a Client's account, a Client is subject to various fees and charges, including, but not limited to, the cost of portfolio management, creating account statements, account services, recordkeeping, commissions, and legal services. The particular fees and charges a Client will pay are generally determined by the share class that the Client purchases. Some share classes are subject to either a front-end sales charge or a deferred sales charge and may be appropriate when implementing a pure buy and hold strategy. Other share classes impose a higher ongoing fee (12b-1 fee) which is retained by the custodian. There are limitations on the availability of share classes to Clients based on service providers and the funds themselves. These limitations may be imposed by the custodian if, for example, the custodian's platform only makes certain share classes available. The funds themselves impose certain limitations, such as minimum investment requirements. HPAG seeks to use the lowest cost share class available while considering the Client's investment time horizon and preference. HPAG requires that pre-approval be obtained for any mutual fund investments where the lowest cost expense ratio share class available is not used. On a quarterly basis, HPAG reviews mutual fund holdings to identify any non-advisory share class holdings and to evaluate for share class exchange. For assets held outside of any wrap fee programs, clients will typically incur brokerage commissions and transaction fees. Such charges, fees and commissions are exclusive of and in addition to HPAG's fee.

Under the Program, transaction costs are borne by the Advisor and are transaction based or asset based. If the transaction costs borne by the Advisor are transaction based, the Advisor has a conflict of interest because the Advisor has a financial incentive to trade less frequently. In addition, because transaction charges vary by security type, there is a conflict of interest for the Advisor because the Advisor has an incentive to select securities for a Client's accounts that cost the Advisor less than other types of securities. If the Advisor selects a \$0 transaction charge security for the Client's account, such as a No-Transaction Fee fund ("NTF"), the security, including an NTF, tends to have a higher expense ratio, which is borne by the Client. In these cases, an additional conflict is created because the Client is in the Program paying a higher advisory fee while products purchased for the account have no transaction fee.

### **Fees for Management During Partial Quarters of Service**

For the initial period of participation in the Program, the Program Fee shall be calculated on a pro rata basis. The Program Agreement between HPAG and the client will continue in effect until terminated by either party pursuant to the terms of the Program Agreement. The Program Fee shall be prorated through the date of termination and any remaining balance shall be refunded to the client in a timely manner.

Additions may be in cash or securities provided that HPAG reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. HPAG will consult with its clients about the options and ramifications of transferring securities. However, clients are advised that when transferred securities are liquidated, they are subject to

transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge), and/or tax ramifications.

If assets are deposited into or withdrawn from an account after the inception of a quarter, the Program Fee with respect to such assets will be prorated based on the number of days remaining in the quarter.

### **Transaction and Share Class Fees**

Although clients do not pay a transaction charge for transactions in a SWMII account, clients should be aware that HPAG pays LPL transaction charges for those transactions. The transaction charges paid by HPAG vary based on the type of transaction (e.g., mutual fund, equity, or ETF) and for mutual funds based on whether the mutual fund pays 12b-1 fees and/or recordkeeping fees to LPL. Transaction charges paid by the Advisor for equities and ETFs are \$9. For mutual funds, the transaction charges range from \$0 to \$26.50. Because HPAG pays the transaction charges in SWMII accounts, there is a conflict of interest in cases where the mutual fund is offered at both \$0 and \$26.50. Clients should understand that the cost to Advisor of transaction charges may be a factor that HPAG considers when deciding which securities to select and how frequently to place transactions in a SWMII account.

In many instances, LPL makes available mutual funds in a SWMII account that offer various classes of shares, including shares designated as Class A Shares and shares designed for advisory programs, which can be titled, for example, as Class I, institutional, investor, retail, service, administrative, or platform share classes (“Platform Shares”). The Platform Share class offered for a particular mutual fund in SWMII in many cases will not be the least expensive share class that the mutual fund makes available and was selected by LPL in certain cases because the share class pays LPL compensation for the administrative and recordkeeping services LPL provides to the mutual fund. Client should understand that another financial services firm may offer the same mutual fund at a lower overall cost to the investor than is available through SWMII. In other instances, a mutual fund may offer only Class A Shares, but another similar mutual fund may be available that offers Platform Shares. Class A Shares typically pay LPL a 12b-1 fee for providing shareholder services, distribution, and marketing expenses (“brokerage-related services”) to the mutual funds. Platform Shares generally are not subject to 12b-1 fees. As a result of the different expenses of the mutual fund share classes, it is generally more expensive for a client to own Class A Shares than Platform Shares. An investor in Platform Shares will pay lower fees over time and keep more of his or her investment returns than an investor who holds Class A Shares of the same fund.

HPAG has a financial incentive to recommend Class A Shares in cases where both Class A and Platform Shares are available. Although the client will not be charged a transaction charge for transactions, HPAG pays LPL a per transaction charge for mutual fund purchases and sales in the account. HPAG generally does not pay transaction charges for Class A Share mutual fund transactions accounts but generally does pay transaction charges for Platform Share mutual fund transactions. The cost of transaction charges generally may be a factor the Advisor considers when deciding which securities to select and whether to place transactions in the account.

The lack of transaction charges to HPAG for Class A Share purchases and sales, together with the fact that Platform Shares generally are less expensive for a client to own, presents a significant conflict of interest between HPAG and the client. In short, it costs HPAG less to recommend and select Class A share mutual funds than Platform shares, but Platform shares will generally outperform Class A mutual fund shares on the basis of internal cost structure alone. Clients should understand this conflict and consider the additional indirect expenses borne as a result of the mutual fund fees when negotiating and discussing with your IAR the advisory fee for management of an account.

As noted above, to mitigate this conflict HPAG seeks to use the lowest cost share class available while considering the Client’s investment time horizon and preference. HPAG requires that pre-approval be obtained for any mutual fund investments where the lowest cost expense ratio share class available is not used, and on a quarterly basis, HPAG reviews mutual fund holdings to identify any non-advisory share class holdings and to evaluate for share class exchange.

## **Item 5: Account Requirements and Types of Clients**

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The types of clients in the Program include individuals, high net worth individuals, pension and profit-sharing plans, trusts, estates, charitable organizations, corporations, and business entities.

### **Minimums Imposed by Independent Managers**

HPAG requires a minimum account of \$5,000 for investment advisory clients, although this may be negotiable under certain circumstances. HPAG will sometimes group certain related client accounts for the purposes of achieving the minimum account size.

Certain Independent Managers impose more restrictive account requirements and varying billing practices than HPAG. In such instances, HPAG can alter its corresponding account requirements and/or billing practices to accommodate those of the Independent Managers or wrap program sponsor.

## **Item 6: Portfolio Manager Selection and Evaluation**

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HPAG acts as the sponsor and portfolio manager to the Program. Certain wrap programs involve the services of multiple parties in these capacities, which may involve additional conflicts of interest that the sponsor would be required to disclose in this section. HPAG has no disclosures to make under this section related to the selection of portfolio managers.

HPAG and our employees are fiduciaries who must act in the best interests of our clients. The Firm will act with competence, dignity, integrity, and in an ethical manner when dealing with clients. HPAG will use reasonable care and exercise independent professional judgement when conducting investment analysis, making investment recommendations, trading, promoting our services, and engaging in other professional activities.

As a fiduciary, HPAG has the obligation to deal fairly with our clients. The Firm has the following responsibilities when working with a client:

- To render impartial advice;
- To make appropriate recommendations based on the client's needs, financial circumstances, and investment objectives;
- To exercise a high degree of care and diligence to ensure that information is presented in an accurate manner and is not misleading;
- To have reasonable basis, information, and understanding of the facts to provide appropriate recommendations and representations;
- To disclose any material conflict of interest in writing; and
- To treat clients fairly and equitably.

### **Types of Services Provided By the Firm**

In addition to the services provided to the Program, HPAG is an investment adviser providing asset management services under the wrap fee program. Prior to engaging HPAG to provide any of the foregoing investment advisory services, the client will be required to enter into one or more written agreements with HPAG setting forth the terms and conditions under which HPAG shall render its services. Additional information regarding the services offered by HPAG is available on the Firm's ADV Part 2A.

Asset management services provided outside of the Program will differ only in that clients will pay separate transaction fees which will be charged by the Broker-Dealer directly to the client's account. HPAG does not expect the non-wrap management services to materially differ from the services in the Program.

HPAG tailors its advisory services to the individual needs of clients. The Firm will ensure that each client's investments are suitable for that client and consistent with their investment needs, goals, objectives, and risk tolerance as well as any restrictions requested by the client.

### **Asset Management Services**

HPAG provides continuous investment advice and asset management services based on the individual needs of the clients. Through personal discussions in which goals and objectives based on a client's particular circumstances are established,

HPAG develops a client's personal investment policy and creates and manages a portfolio based on that policy. HPAG will ensure that each client's investments are suitable for that client and consistent with their investment needs, goals, objectives, and risk tolerance. Account supervision is guided by the stated objectives of the client (i.e., capital preservation, income with moderate growth, growth and income, growth, and aggressive growth). HPAG strives to tailor its advisory services to the individual needs of clients.

Clients can place reasonable restrictions on the types of investments which are made on the client's behalf. Restrictions are typically limited to asset management services and may not apply to assets managed in wrap programs. Clients will retain individual ownership of all securities.

HPAG will allocate its client's investment management assets, on a discretionary basis, among mutual funds, exchange traded funds, individual debt and equity securities, real estate investment trusts ("REITs"), and other investments in accordance with the investment objectives of the client. Some of these investments have limited or no liquidity for a period of time. Some also have additional minimum net worth and/or net income requirements for investments.

HPAG's clients are advised to promptly notify HPAG if there are ever any changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions upon HPAG's management services.

### **Use of Independent Managers**

As mentioned above, HPAG will occasionally recommend that certain clients authorize the active discretionary management of a portion of their assets by and/or among certain independent investment manager(s) ("Independent Manager(s)"), based upon the stated investment objectives of the client. The terms and conditions under which the client shall engage the Independent Manager shall be set forth in separate written agreements between (1) the client and HPAG and (2) HPAG or client and the designated Independent Manager. HPAG shall continue to render services to the client relative to the discretionary selection of Independent Manager as well as the monitoring and review of account performance and client investment objectives. For those services, HPAG will receive an annual advisory fee which is based upon a percentage of the market value of the assets being managed by the designated Independent Manager.

When selecting an Independent Manager for a client, HPAG shall review information about the Independent Manager such as its disclosure statement and/or material supplied by the Independent Manager or independent third parties for a description of the Independent Manager's investment strategies, past performance, and risk results to the extent available.

Factors that HPAG shall consider in selecting an Independent Manager include the stated client investment objective(s), management style, performance, reputation, financial strength, reporting, pricing, and research. In using the services of an Independent Manager, the client will incur additional fees to those charged by HPAG, the wrap fee program sponsor (if applicable), and the corresponding broker-dealer and custodian.

In addition to HPAG's Form ADV Part 2A ("Brochure"), the client shall also receive the Brochure of the designated Independent Manager and wrap fee program sponsor (if applicable). Certain Independent Managers will impose more restrictive account requirements and varying billing practices than HPAG. In such instances, HPAG will review, and possibly alter, its corresponding account requirements and/or billing practices to accommodate those of the Independent Manager or wrap fee program sponsor.

In certain cases, HPAG will refer a Client to an Independent Manager through whom the advisory fee is included in the Independent Manager's fee. If the Client engages the services of that Independent Manager, HPAG will be compensated for its services by receipt of a fee paid directly by the Independent Manager to HPAG in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, as amended, and any corresponding state securities laws, rules, regulations, or requirements. Any such fee shall be paid solely from the Independent Manager's investment management fee or the program fee of the wrap fee program (as appropriate) and shall not result in any additional charge to the client.

### **Performance Based Fees**

Neither HPAG nor any of its Supervised Persons (employees) accepts performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).



HPAG does not use a performance-based fee structure because of the potential conflict of interest. Performance-based compensation creates an incentive for the Advisor to recommend an investment that carries a higher degree of risk to the client. Therefore, the use of performance-based fees is prohibited by HPAG.

### **Methods of Analysis and Investment Strategies**

HPAG often utilizes fundamental analysis which attempts to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell). Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the securities.

The investment strategy for a specific client is based upon the objectives stated by the client during consultations. The client may change these objectives at any time. Other strategies may include long-term purchases, short-term purchases, trading, and margin transactions.

HPAG will recommend the use of options for certain clients. Options allow HPAG to hedge (limit) certain losses on positions clients hold. The option allows HPAG to buy or sell a security at a certain price (not the current market price). Clients pay a fee for the option. If the option falls outside the money (i.e. the market price of the security does not justify repurchasing/selling the security at the option price), the client will lose the fee for that option.

HPAG will recommend the use of Independent Managers for certain clients. HPAG will continue to perform ongoing due diligence of such managers, but such recommendations rely, to a great extent, on the Independent Manager's ability to successfully implement their investment strategy. HPAG does not have the ability to supervise the Independent Managers on a day-to-day basis, if at all.

**All investments involve the risk of loss, including but not limited to loss of principal, a reduction in earnings (including interest, dividends, and other distributions), and the loss of future earnings. Although HPAG manages the assets in a manner consistent with risk tolerances, there can be no guarantee that our efforts will be successful. The investor should be prepared to bear the risk of loss.**

HPAG's investment approach considers the risk of loss. Investors face the following investment risks:

- Interest-rate Risk: Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- Market Risk: The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic, and social conditions may trigger market events.
- Inflation Risk: When any type of inflation is present, a dollar next year will not buy as much as a dollar today, because purchasing power is eroding at the rate of inflation.
- Currency Risk: Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- Reinvestment Risk: This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- Business Risk: These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- Liquidity Risk: Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate

properties are not.

- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

### **Voting Client Securities**

HPAG does not have any authority to and does not vote proxies on behalf of clients. Clients retain the responsibility for receiving and voting proxies for securities maintained in their portfolios; clients receive these proxies directly from either the Custodian or transfer agents.

## **Item 7: Client Information Provided to Portfolio Managers**

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HPAG acts as the sponsor and portfolio manager to the Program. Certain wrap programs involve the services of multiple parties in these capacities. In those circumstances, the sponsor is required to disclose how and what type of information about the client that it provides to portfolio managers. HPAG has no disclosures to make under this section.

## **Item 8: Client Contact with Portfolio Managers**

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There are no restrictions on a client's ability to contact and consult with HPAG or its IARs.

Clients may contact Independent Managers through HPAG by providing HPAG with a written request and identification of the questions or issues to be discussed with the Independent Manager. After receiving the client's written request HPAG shall, at its sole discretion, contact the Independent Manager for the client or arrange for the Independent Manager and the client to communicate directly.

## **Item 9: Additional Information**

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### **Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of HPAG or the integrity of HPAG's management persons.

HPAG was the subject of an SEC examination related to mutual fund share class selection from 2014 to 2018 that resulted in an administrative and cease and desist order on April 27, 2022. In March 2018, prior to being contacted by the SEC, HPAG updated its policies and procedures related to mutual fund shares. Neither HPAG nor its IARs received 12b-1 fees paid by the client to the clearing firm. However, HPAG did not adequately disclose that it avoided paying transaction fees on certain mutual fund transactions.

The Firm was found to have (1) invested certain clients' assets in higher-cost mutual fund share classes than were otherwise available while failing to disclose the conflicts of interest associated with those investment recommendations, resulting in the advisor avoiding paying transaction fees on client trades; (2) not provided full and fair disclosure to clients concerning its use of mutual fund share classes offered through the NTF program in wrap accounts; and (3) failed to adopt and implement written compliance policies and procedures reasonably designed to prevent violations of the Advisers Act and the rules thereunder in connection with its mutual fund selection practices in its wrap program and its disclosure of its associated conflicts of interest.

The Firm reached a settlement with the SEC related to mutual fund share class disclosures and procedures. Under the terms of the settlement, HighPoint was ordered to cease and desist from committing or causing any violations or future violations, was censured, and was required to pay disgorgement, prejudgment interest, and a civil penalty.

Separately from this matter, certain IARs of the Firm are required to report disciplinary items. Before entering into an advisory relationship, you are advised to review the disciplinary history of your IAR using the Investment Adviser Public Disclosure website, available at [sec.gov](http://sec.gov).

### **Other Financial Industry Activities and Affiliations**

HPAG is not registered as, and does not have an application pending as, a securities broker-dealer, futures commission merchant, commodity pool operator, or commodity trading advisor. HPAG is not an affiliate of LPL and is solely responsible for the investment advice rendered to advisory clients.

In addition to its investment advisory activities, HPAG offers retail brokerage services through associated persons that are registered representatives of LPL. HPAG, as a branch office of LPL, is required to keep and maintain certain records and perform other compliance functions in relation to the advisory activities of HPAG. As a result of the relationship between HPAG and LPL, LPL has access to certain confidential information (e.g., financial information, investment objectives, transactions, and holdings) about HPAG's clients, even if client does not establish any account through LPL. If you would like a copy of the LPL privacy policy, please refer to [lpl.com](http://lpl.com) and click on the hyperlink at the bottom of the page for privacy/security information. LPL is a broker-dealer that is independently owned and operated and is not affiliated with HPAG. Please refer to the Firm's ADV Part 2A for a discussion of the benefits HPAG may receive from LPL and the conflicts of interest associated with receipt of such benefits.

Certain IARs of HPAG are appointed with several insurance companies and are able to receive separate compensation for transactions implemented through various insurance companies. Clients are not obligated to use any company for insurance product purchases and can work with any insurance agent they choose. Insurance compensation will be separate and distinct from fees charged by HPAG.

Charles Brown III maintains his own Registered Investment Advisor, CB3 Financial Group, Inc. Mr. Brown operates this Registered Investment Advisor separately from his advisory business with HPAG.

As discussed above, HPAG recommends that certain clients authorize the active discretionary management of a portion of their assets by and/or among certain Independent Managers. In certain circumstances HPAG's compensation is included in the advisory fee charged by such Independent Managers. HPAG will recommend these Independent Managers only if it is in the best interest of their clients.

### **Code of Ethics**

HPAG employees must comply with a Code of Ethics ("Code"). The Code describes HPAG's high standard of business conduct and fiduciary duty to its clients. The Code's key provisions include:

- Statement of General Principles
- Policy on and reporting of Personal Securities Transactions
- A prohibition on Insider Trading
- Restrictions on the acceptance of significant gifts
- Procedures to detect and deter misconduct and violations
- Requirement to maintain confidentiality of client information

Compliance reviews all employee trades each quarter. These reviews ensure that personal trading does not affect the markets and that client accounts of HPAG receive preferential treatment over employee accounts.

HPAG employees must acknowledge the terms of the Code of Ethics at least annually. Any individual not in compliance with the Code of Ethics is subject to disciplinary action up to, and including, termination. Clients and prospective clients can obtain copies of HPAG's Code of Ethics by contacting HPAG at 630-719-9222.

HPAG and its employees may buy or sell securities identical to those recommended to clients for their personal accounts. The Code of Ethics, described above, is designed to assure that the personal securities transactions, activities, and interests of the employees of HPAG will not interfere with making decisions in the best interest of advisory clients and implementing such decisions, while at the same time, allowing employees to invest for their own accounts. Under the Code, certain classes of securities, primarily mutual funds, have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of HPAG clients. In addition, the Code requires pre-clearance of Initial Public Offerings and Private Placement transactions.

Because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees could benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and the Code is designed to reasonably prevent conflicts of interest between HPAG and its clients.

HPAG and its employees do not recommend to clients, or buy or sell for client accounts, securities in which they have a material financial interest. HPAG will not effect any principal or agency cross securities transactions for client accounts. HPAG will also not cross trades between client accounts.

### **Review of Accounts**

Account Managers will monitor accounts on a continuous basis and will conduct a formal review on at least an annual basis. Each client is assigned a primary relationship manager. The primary relationship manager has the responsibility for communicating with the client, updating changes to the client's situation, and regularly reviewing the client's portfolio, including the asset allocation and the specific assets included in the account. The client review includes comparing the portfolio and current security positions with the goals and objectives as outlined by the investment policy statement, reviewing changes to the client's investment circumstances, evaluating the specific holdings, rebalancing the portfolio, and communicating the current status of the portfolio and any recommended actions to the client.

Clients' accounts are reviewed regularly. Formal reviews, including contact with clients, occur at least once a year. Reviews may also be conducted if there are changes in market, political or economic conditions, tax laws, new investment information, and/or changes in a client's own situation. A client can request a meeting with their IAR at any time.

At least quarterly, the Client's chosen custodian provides clients with an account statement for each client account, which may include individual holdings, cost basis information, deposits and withdrawals, and performance. In addition, the custodian provides clients with trade confirmations for each position bought and sold.

### **Client Referrals and Other Compensation**

HPAG and/or its Dually Registered Persons are incented to join and remain affiliated with LPL and to recommend that clients establish accounts with LPL, often through the provision of Transition Assistance. The receipt of any such compensation creates a financial incentive for the IAR to recommend LPL as custodian for the assets in a client's advisory account. We encourage clients to discuss any such conflicts of interest with their representative before deciding to custody their assets at LPL.

### **Transition Assistance Benefits**

LPL provides various benefits and payments to Dually Registered Persons that are new to the LPL platform to assist the representative with the costs (including foregone revenues during account transition) associated with transitioning his or her business to the LPL platform (collectively referred to as "Transition Assistance"). The proceeds of such Transition Assistance payments are intended to be used for a variety of purposes, including but not necessarily limited to, providing working capital to assist in funding the Dually Registered Person's business, satisfying any outstanding debt owed to the Dually Registered Person's prior firm, offsetting account transfer fees (ACATs) payable to LPL as a result of the Dually Registered Person's clients transitioning to LPL's custodial platform, technology set-up fees, marketing and mailing costs, stationery and licensure transfer fees, moving expenses, office space expenses, staffing support, and termination fees associated with moving accounts.

The amount of the Transition Assistance payments is often significant in relation to the overall revenue earned or compensation received by the Dually Registered Person at his/her prior firm. Such payments are generally based on the size of the Dually Registered Person's business established at his/her prior firm and/or assets under custody on the LPL. Please refer to the relevant Part 2B Brochure Supplement for more information about the specific Transition Payments your representative receives.

Transition Assistance payments and other benefits are provided to associated persons of HPAG in their capacity as registered representatives of LPL. However, the receipt of Transition Assistance by such Dually Registered Persons creates

conflicts of interest relating to HPAG's advisory business because it creates a financial incentive for HPAG's representatives to recommend that its clients maintain their accounts with LPL. In certain instances, the receipt of such benefits is dependent on a Dually Registered Person maintaining its clients' assets with LPL, and therefore HPAG has an incentive to recommend that clients maintain their account with LPL in order to generate such benefits.

HPAG attempts to mitigate these conflicts of interest by evaluating and recommending that clients use LPL's services based on the benefits that such services provide to our clients, rather than the Transition Assistance earned by any particular Dually Registered Person. Other factors considered by HPAG in recommending that clients maintain accounts with LPL are listed above. However, clients should be aware of this conflict and take it into consideration in deciding whether to custody their assets in a brokerage account at LPL.

HPAG participates in institutional customer programs for Schwab, Fidelity, and Bright Directions, and HPAG recommends those custodians to certain clients for custody and brokerage services. There is no direct link between HPAG's participation in the programs and the investment advice it gives to its clients, although HPAG receives economic benefits through its participation in the programs that are typically not available to retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving HPAG participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to HPAG by third party vendors. The custodians may also have paid for business consulting and professional services received by HPAG's related persons. Some of the products and services made available by these custodians through the programs benefit HPAG but may not benefit its client accounts. These products or services assist HPAG in managing and administering client accounts, including accounts not maintained at these custodians. Other services made available by the custodians are intended to help HPAG manage and further develop its business enterprise. The benefits received by HPAG or its personnel through participation in the programs do not depend on the amount of brokerage transactions directed to the custodians. As part of its fiduciary duties to clients, HPAG endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by HPAG or its related persons in and of itself creates a potential conflict of interest and could indirectly influence HPAG's choice of custodian for custody and brokerage services.

HPAG has established an institutional relationship with Schwab through its "Schwab Advisor Services" unit, a division of Schwab dedicated to serving independent advisory firms like HPAG. As a registered investment advisor participating on the Schwab Advisor Services platform, HPAG receives access to software and related support without cost because the Advisor renders investment management services to Clients that maintain assets at Schwab. Services provided by Schwab benefit the Advisor and many, but not all services provided by Schwab will benefit Clients. In fulfilling its duties to its Clients, the Advisor endeavors at all times to put the interests of its Clients first. Clients should be aware, however, that the receipt of economic benefits from a custodian creates a potential conflict of interest since these benefits may influence the Advisor's recommendation of this custodian over one that does not furnish similar software, systems support, or services.

HPAG's receipt of additional services does not diminish its duty to act in the best interests of its clients, including seeking best execution of trades for client accounts.

### **Compensation – Client Referrals**

HPAG can enter into written arrangements to pay cash referral fees to individuals or companies (solicitors) who refer prospective clients to the Firm. In these cases, there will be a written agreement between HPAG and the solicitors, which clearly defines the duties and responsibilities of the solicitor under this arrangement. In addition, each solicitor is required to provide a written disclosure document, which explains to the prospective client the terms under which the solicitor is working with HPAG and the fact that the solicitor is being compensated for the referral activities. The solicitor is also required to furnish a copy of HPAG's written disclosure document to the prospective client and obtain a written acknowledgement from the client that both the solicitor's and HPAG's disclosure documents have been received.

## **Financial Information**

HPAG has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy proceeding.

HPAG does not require prepayment of fees of both more than \$1,200 per client, and more than six months in advance and therefore is not required to provide a balance sheet to clients.